

Glens Falls City School District

Board of Education
Financial Reserve and Fund Balance Plan Document
as of June 30, 2017

The Glens Falls City District Board of Education believes that long term financial health and stability of the school district is essential to provide students with the educational programs and facilities to meet its mission.

MISSION STATEMENT

The Mission of the Glens Falls City School District is to provide a safe, positive and stimulating environment – one that fosters self-growth, a passion for continuous learning, confidence and the ability to succeed in a changing world. We promote excellence through high expectations and evolving standards for students, staff, parent and community. The challenge is to reach one's personal best while respecting each person's individuality. We make it our responsibility to be accountable for the implementation of this mission and to model behaviors that are influential to the character as well as the mind.

INTENDED USE OF RESERVES

Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes. In good times, money not needed for current purposes can often be set aside in reserves for future use.

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for future capital needs can reduce or eliminate interest and other costs associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).

Most reserve funds are established to provide resources for an intended future use. An important concept to remember is that a reserve fund should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a “parking lot” for excess cash or fund balance. Local governments and school districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.

Each statute that authorizes a reserve fund sets forth a particular underlying purpose for the fund. For example, provisions of the General Municipal Law (the GML) and the Education Law allow municipalities and school districts, respectively, to establish capital reserves for future equipment purchases and capital improvements. The GML also authorizes the establishment of an employee benefit accrued liability reserve for the payment of the monetary value of accumulated, unused leave time to employees upon separation from service. Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget. Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax levy.

Source: Office of the New York State Comptroller – Local Management Guide for Reserves
<http://www.osc.state.ny.us/localgov/pubs/lmgm/reservefunds.pdf>

**GLENS FALLS CITY SCHOOL DISTRICT
RESERVE FUND AND FUND BALANCE PHILOSOPHY**

The Glens Falls City School District believes the judicious use and monitoring of reserve and unassigned fund balances reduces long-term borrowing costs, smooths large fluctuations in tax rates, and minimizes the possibility of mid-year reductions, which could directly impact our students and community. We believe it is in the best interest of students, staff, and taxpayers to prudently establish and utilize reserve and unassigned fund balances to weather financial storms and uncertainties that may occur throughout a school year.

New York State law mandates expenditures can be no greater than the budget approved by the voters in May each year. As a result, the District is committed to conservative budgeting practices and consistent monitoring of its reserves and fund balance. This practice has helped the district to meet unexpected budgetary obligations, such as; increases to special education services, increases in transportation, the necessity to add positions to meet student needs, etc. However, conservative budgeting may also result in budget surpluses at year-end. The Board of Education and District administration reviews budget surpluses and determines the best use of these surpluses, while remaining focused on both short-term and long-term District goals and overall mission.

Absent long-term financial stability, the District's educational programs, as well as student and community opportunities, will suffer. The goal of this plan is to provide long-term financial stability, avoid drastic cuts to the educational and extra-curricular programs and opportunities due to a lack of financial resources, and maintain a stable, predictable tax levy.

Employee Retirement Contribution (ERS Members Only) Reserve Fund

Creation – This reserve was established by resolution of the Board of Education, on June 8, 2015.

Purpose – This reserve is used to pay for district expenses, exclusively, to the New York State Employees' Retirement System (ERS).

Funding Methods – This reserve is funded with excess fund balance, and may include transfers from other reserves.

Funding Goal – The District is committed to maintaining a reserve balance equivalent to the value of approximately five to seven times the annual ERS assessment.

Funding Level – The current funding level for the year ended June 30, 2017 is \$2,933,074.

Use of Reserve – The reserve will be utilized to the extent that the funding level remains within the targets established in the District's *Funding Goal*. As part of the 2017-2018 budget, the District appropriated \$499,310, of existing reserves to pay for the 2017-2018 ERS annual assessment.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business.

Tax Certiorari Reserve Fund

Creation – The District has no formal record of creation for this reserve, however, a separate checking account for this reserve was established by resolution of the Board of Education, on September 13, 2010.

Purpose – This reserve is used to pay for prior year judgements and claims in tax certiorari proceedings. An appropriation for current year tax year refunds is included in the annual budget.

Funding Methods – This reserve is funded with excess fund balance, and may include transfers from other reserves. Funds placed in this reserve, that are not used to pay tax certiorari judgements or claims must be returned to the General Fund after four years.

Funding Goal – The District is committed to maintaining a reserve balance equivalent to the calculated liability, based on taxpayer petition, which are maintained by the District's legal counsel.

Funding Level – The current funding level for the year ended June 30, 2017 is \$246,905.

Use of Reserve – The reserve will be utilized to pay for prior year tax certiorari claims. Funds placed in the reserve, which are not utilized during a four year window, must be returned to the General Fund. The reserve will be calculated and adjusted annually based on new, current, and expiring claims.

Monitoring of Reserve – The District contracts with legal counsel to litigate and maintain its tax related proceedings. As such, the reserve will be monitored by the Assistant Superintendent for Business, in conjunction with legal counsel.

Capital Reserve Fund

Creation – This reserve was established by the approval of the qualified voters of the Glens Falls City School District on May 15, 2009.

Purpose – This reserve was established to fund the replacement of the synthetic turf athletic field located at the Glens Falls High School/Middle School campus.

Funding Methods – Per voter approval, \$25,000 is transferred annually from excess fund balance, and placed into this reserve. The probable term of the reserve is fifteen (15) years, expiring on June 30, 2024.

Funding Goal – The limit of this reserve, as established by the voters is \$250,000.

Funding Level – The current funding level for the year ended June 30, 2017 is \$200,326.

Use of Reserve – Any expenditures from the Capital Reserve Fund shall only occur by authorization of the voters and for the specific purpose for which the Capital Reserve Fund was established.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Workers' Compensation Reserve Fund

Creation – This reserve was established by resolution of the Board of Education, on January 11, 2016.

Purpose – The District is a member of the Southern Adirondack Public Schools Workers' Compensation Plan workers' compensation consortium, and is self-insured. As such, this reserve was established to pay for actual workers' compensation claims relating to medical, indemnity, and administrative expenses on active workers' compensation cases.

Funding Methods – The reserve was initially funded by a transfer from the Employee Contribution Reserve Fund. It will continue to be funded with excess fund balance, budgetary appropriation, or from other sources permitted by law.

Funding Goal – The District will fund this reserve to the extent necessary to cover the calculated liability resulting from active workers' compensation cases.

Funding Level – The current funding level for the year ended June 30, 2017 is \$673,315.

Use of Reserve – This reserve will be used to fund the expenses arising from workers' compensation claims, and will be adjusted accordingly based on monitoring of active claims.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Employee Benefit and Accrued Liability Reserve Fund (EBALR)

Creation – This reserve was established by resolution of the Board of Education, on June 12, 2017.

Purpose – The District will utilize this reserve to pay accrued benefits due employees upon termination of service, for vacation, sick leave, and personal leave, etc.

Funding Methods – The reserve was initially funded by a transfer from the Employee Contribution Reserve Fund, which was determined to be overfunded. This reserve will continue to be funded with excess fund balance, budgetary appropriation, or from other sources permitted by law.

Funding Goal – The District will fund this reserve to the extent necessary to cover the calculated liability resulting from qualified employees' years of service.

Funding Level – The current funding level for the year ended June 30, 2017 is \$544,497.

Use of Reserve – This reserve will be used to fund the expenses arising from benefits due employees upon termination of services.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Assigned Fund Balance – Appropriated for Subsequent Years

Creation – These funds are fund balance amounts that have been set aside for a specific purpose; reduction of the tax levy required to support an ensuing year's budget, assist in funding approved capital projects, or as a revenue source to fund unexpected expenditures, resulting in higher programming costs.

Purpose – Assigned Fund Balance is set aside and returned to the community, for example, by lowering the required tax levy to support the district's budget, or assist in funding approved capital project, thereby reducing a need for debt issuance.

Funding Methods – Assigned Fund Balance is the result of excess fund balance set aside for a specific purpose.

Funding Goal – The District will strive to replenish these funds each year, depending on budgetary conditions. Ultimately, the District will strive to have a structurally balanced budget.

Funding Level – The current funding level for the year ended June 30, 2017 is \$2,405,047. This includes \$400,000 of the assigned fund balance to reduce the 2017-2018 tax levy, and \$1,600,000 to help fund the May 2017 approved capital project.

Use of Funds – It is recommended that the District proceed into the future with structurally balanced budgets, minimizing the use of annual fund balance appropriations. This will result in a healthier financial position.

Monitoring of Funds – These funds are monitored by the Assistant Superintendent for Business.

Unassigned Fund Balance

Creation – Retention of unassigned fund balance is permitted by law.

Purpose – Unassigned Fund Balance is unrestricted funds, and may be used for any valid purpose.

Funding Methods – Unassigned Fund Balance is derived from excess fund balance as a result of operating surpluses, over the course of time.

Funding Goal – Section 1318 of the Real Property Tax Law prescribes a four percent (4%) limitation of the ensuing fiscal year budget. The District will work diligently to maintain 4% of the ensuing school year's budget, as Unassigned Fund Balance. For the year ended June 30, 2017, the District exceeded the 4% limitation, of \$1,722,011.

Funding Level – The current funding level for the year ended June 30, 2017 is \$5,410,247.

Use of Funds – It is recommended that Unassigned Fund Balance not be utilized, except for conditions arising out of emergency, unanticipated expenditures, and/or revenue shortfall that cannot be funded through the annual budget or other reserves. For the 2017-2018 annual budget, the District appropriated \$374,262 to fill an existing budget gap, and \$400,000 to reduce the tax levy. The District will make every effort to remain at the 4% limitation, for the year ending June 30, 2018.

Monitoring of Funds – These funds are monitored by the Assistant Superintendent for Business.